



# Youth Hold the Key

Building Your Workforce Today and in the Future

by Abigail Carlton, Michael Cicccone, Willa Seldon, and Vikki Tam

## Try this thought experiment: What would happen if all the workers in your company under age 25 suddenly vanished?

“Without youth, our stores would close,” said one employer at a 2014 roundtable on youth employment, expressing the views of many firms that rely heavily on young workers to fill entry-level jobs.<sup>1</sup> “We wouldn’t be able to keep up with the times technologically, with social media, and so on. Youth keep us current and keep us connected to the public.”

Across employers and industries, we have heard similar stories about the value young people bring to the workplace. Employers in manufacturing cited the need for serious hand-eye coordination and reported positive experiences with young people filling these roles. David L. Casey, CVS Health’s vice president of workforce strategies and chief diversity officer emphasized that, “We have and will need youth within the company who know how to relate to future generations and use evolving technology.”

In the tremendously diverse American economy, some firms rely only marginally on these younger workers. For others, especially firms that need a lot of entry-level employees, young workers are their lifeblood.

This paper focuses on the role that youth can play in helping employers meet some of their current and looming workforce challenges, and how companies can improve how they hire and retain youth. The data and research findings are based on a recent survey of 350 employers, more than 80 interviews with employers and workforce experts conducted during 2014 by The Bridgespan Group and Bain & Company, as well as a review of published literature. Much of this work focused specifically on the potential of the millions of young people—referred to here as “opportunity youth”—who are disconnected from both work and school, and lack a college degree, to address the needs of employers.

This paper highlights:

- The current and potential demand for workers under age 25 and the business rationales for hiring youth, including opportunity youth;
- Challenges experienced by employers in hiring and retaining the young workers they need;
- Current employer efforts to address their youth employment challenges and increase the pipeline of youth who can effectively fill job openings;
- The gaps between employer demand for talent and the supply of young workers; and
- The potential for addressing youth employment challenges through changing practices and establishing broad-based partnerships among employers and others focused on systems change.

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<sup>1</sup> Roundtable of employers conducted July, 2014, with research team from Penn Schoen Berland.

Any discussion of youth employment must acknowledge that there are currently too few jobs for young people, and even where actual or potential demand exists, there are real obstacles to matching young people to jobs. Despite an array of efforts by individual employers to hire young people, whether because of business need or corporate social responsibility, these efforts are not reaching the scale needed to significantly reduce youth unemployment nor meet the workforce needs of employers today.

## Many companies need and want young workers

When we asked employers what drove their current youth hiring and what might cause them to hire even more young people, by far the biggest reason was *filling entry-level positions*. “Of the 27,000 positions we have, almost 25,000 are hourly and entry-level positions,” said Nancy Mailhot, chief people officer at P.F. Chang’s. “The average age for all those positions is under 30.”

Employers, like P.F. Chang’s, that have large volumes of entry-level positions and who experience high turnover in them are looking for work-ready youth. In a 2014 survey of 350 employers, over 80 percent of respondents were favorable towards hiring youth for entry-level positions *whether or not they had college degrees*.<sup>2</sup>

Employers also were motivated to hire young people for other business reasons, including:

- **Supporting a shift to a tech-intensive strategy:** “Youth are comfortable with technology and anxious to have more digital experiences, and that’s the technology direction our business is going,” explained Scott Smith, senior vice president, HR operations at AT&T.
- **Strengthening the current and future customer base:** Having young employees, especially where they are visible to customers, can help retail and consumer products companies engage younger customers. And a few employers mentioned that employing more youth means more disposable income for their current and future customers.
- **Building internal and external brand image and loyalty:** Companies with a strong local community presence seek out both positive impact on reputation and engagement in that community. Some companies also see benefits for attracting and retaining talent when they demonstrate social commitment and provide employees with opportunities to have positive impact on the community. Said CVS Health’s Casey, “These initiatives mean people turn over less, are fired up, and work harder.”

Employers cited several other attributes that make young workers especially desirable to their companies. Some believe that it is easier to train younger

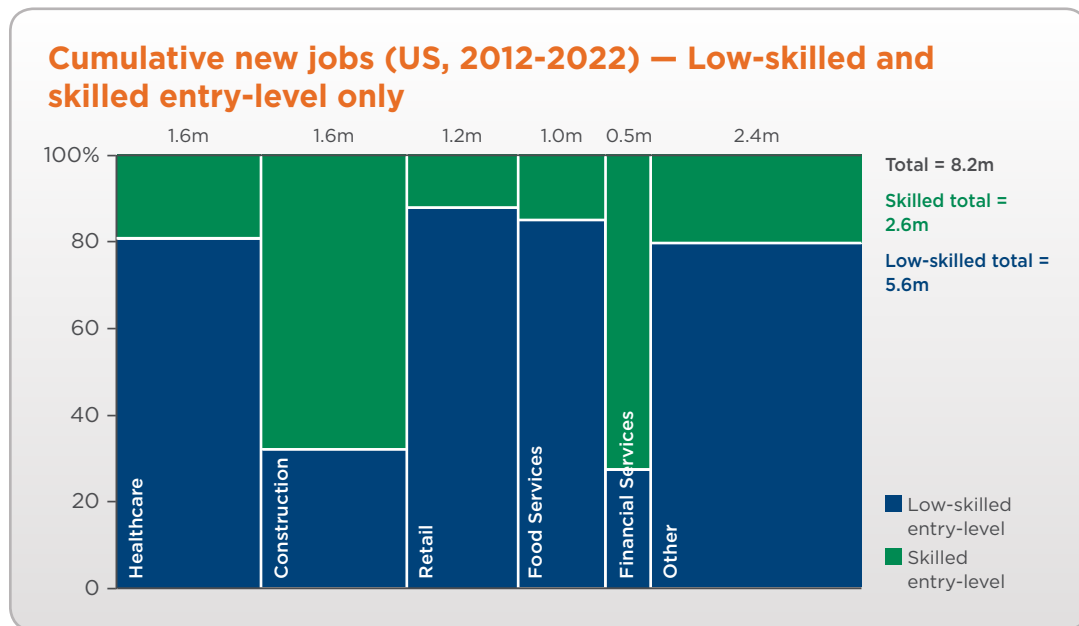
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<sup>2</sup> Based on a 2014 survey of 350 employers nationwide (representing companies with at least 2,500 employees) conducted by Penn Schoen Berland.

workers and to employ them in flexible staffing environments. Others noted that youth are often seen as being capable of higher levels of productivity by the very nature of their age, physical skill, and stamina.

Between 2012 and 2022, 8.2 million entry-level jobs are expected to be created across a wide range of industries. Of these, approximately 5.6 million are expected to be low-skilled—the kind that have typically been well suited to younger workers without college degrees. The nearly 14 million youth facing employment challenges could help meet this employer demand.

As seen in the following chart, the largest number of new, low-skilled, entry-level jobs are likely to be in healthcare (1.3 million), retail (1 million), food services (800,000), and construction (500,000). These four industries are expected to fill many of these new jobs with young workers.<sup>3</sup>



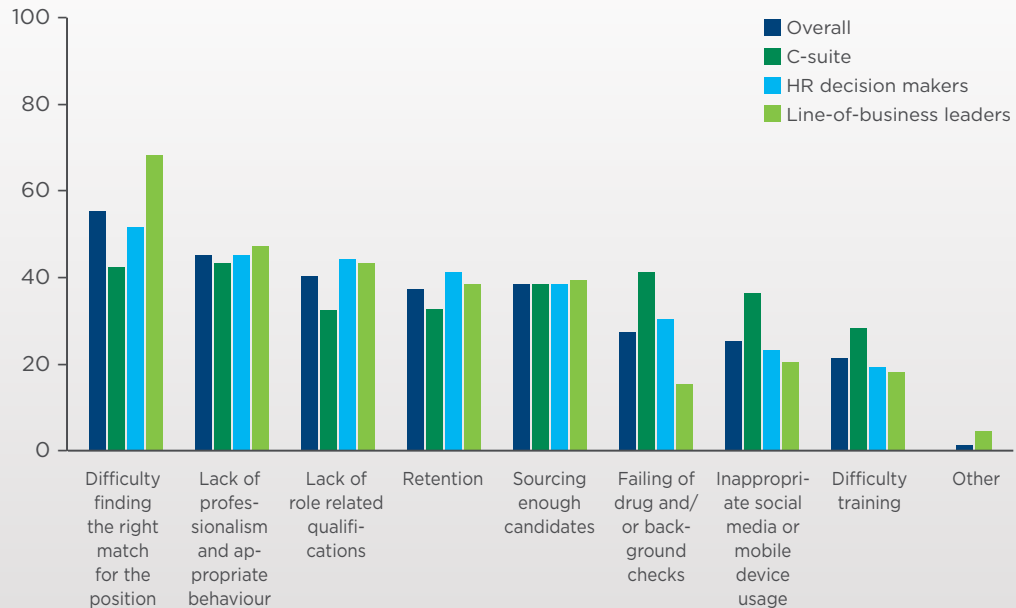
Meanwhile, the workforce is aging. By 2020, workers age 55 and up will account for 25 percent of the US labor force, up from 13 percent in 2000. However, as they leave the workforce, many companies will need to look towards a younger cohort to refill their talent pipelines.

The Stanford Center on Longevity reports: “As employers seek to fill new positions or replace existing workers, they will face the boom and bust labor cycle and will need to consider how the age mix of the labor pool has changed. Recruiting and training less-experienced younger workers may be an option when older workers leave the workforce.”<sup>4</sup>

<sup>3</sup> Analysis of Bureau of Labor Statistics data.

<sup>4</sup> Adele Hayutin, Michaela Beals, and Elizabeth Borges, *The Aging US Workforce*, (Stanford Center on Longevity, 2013).

### Survey respondents selecting this as one of their top three challenges in entry-level hiring (n=350)



Despite employers' clear and growing need for entry-level staff, as of January 2015, the unemployment rate for 20–24-year-olds was 9.8 percent. For working-age teenagers, the situation is even worse, with one in five 16–19-year-olds who want to find a job unable to obtain one.<sup>5</sup> And the consequences of unemployment can be dire for these young people. Even one year without a job takes a heavy toll on a young person's economic future.<sup>6</sup> Consider two males with the same education, place of residence, and family background. If one spends a year unemployed before the age of 23, 10 years later he can expect to earn 23 percent less than the other. For females, the gap 10 years out is 16 percent.

### Despite the benefits of hiring youth for entry-level jobs, there are real and perceived challenges

So what is getting in the way of employers hiring youth? For some, the challenges in entry-level hiring can outweigh the positives by imposing short-term costs or risks. The employer survey responses below highlight employers' leading concerns.

**Difficulty finding the right match for the position:** The most commonly cited challenge was difficulty finding the right match for the position, with 56 percent of respondents listing it as one of their firm's top three challenges (see figure above).

<sup>5</sup> *The Employment Situation—January 2015*, News Release, (Bureau of Labor Statistics, February 6, 2015).

<sup>6</sup> Paul Gregg and Emma Tominey, "The Wage Scar from Youth Unemployment," CMPO Working Paper Series, no. 04/097 (2004), 15.

**Soft skills and professionalism:** Employers rated this the second greatest challenge in entry-level hiring. In interviews, they noted several concerns about younger workers: showing up on time, dressing appropriately, knowing how to work as part of a team, and interacting in a professional manner with customers. Multiple employers noted that sometimes young people can have a hard time adjusting to work environments and eight-hour shifts. An executive with California Pizza Kitchen told us that the company “looks for personalities more than skills” because job-specific skills are “100 percent trainable.” So rather than formal credentials, the company looks for an orientation toward service, speed, and detail.

**Job-specific skills:** Many employers are looking for workers who already have some foundation in the skills they’ll need. Indeed, a lack of role-related qualifications was the third-greatest challenge cited in our employer survey. “We need strategies to make sure we have qualified applicants for our entry-level positions,” explained Michael Scannell, State Street’s senior vice president for corporate citizenship and global human resources. “Our company needs a consistent pipeline of talented and trainable candidates.” However, employers noted that it is much easier to train for job-specific skills than to instill the soft skills, professionalism, and foundational traits of customer service.

**Turnover:** The entry-level positions that may be best matched to young workers are also those with the highest turnover, making retention another big challenge cited by the employers we surveyed. Annual turnover rates for entry-level positions at companies we spoke with ranged from 45 percent to 130 percent for hourly workers, with rates exacerbated for minimum-wage employees. High turnover is especially frustrating—and expensive—for firms that have invested in training their new workers. Whether fairly or not, youth may be perceived as a higher attrition risk. A common refrain among employers was that youth are often harder to retain than older workers who are more likely to have families and financial obligations that tie them to the job.

Grumbling about “the kids today” is as American as apple pie. But there is no getting around the fact that for many employers, the perceived risks of hiring young workers are more prominent and tangible than the benefits. Negative employer perceptions are only intensified for the 5.6 million “opportunity youth” without a college degree and with little or no work experience.<sup>7</sup>

There are leading companies, however, that are successfully building youth talent pipelines. These businesses are proving that youth talent enables their companies to boost financial performance, increase workforce diversity, and advance their preparedness for succeeding in an age of technology.

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<sup>7</sup> Opportunity Nation, “The Problem: Youth Unemployment,” 2015, <http://opportunitynation.org/the-problem/>.



## Employer-led initiatives demonstrate companies can realize value hiring youth

In industries like retail and food services, many companies already hire entry-level youth in large numbers. Over the next 10 years, as the composition of the labor force changes and new business needs arise, companies in other industries may also need to do more to find young workers. Both types of companies will need to pursue a wider range of workforce strategies to get the young workers they'll need. Here are companies that are demonstrating some of these strategies.

### **State Street and Gap Inc. are working with nonprofit partners to strengthen the capacity of underserved youth to successfully fill jobs at their companies.**

#### **The State Street/Year Up Partnership**

State Street, a global financial services company, partners with the nonprofit Year Up to increase the long-term success of youth placed in State Street internships. Year Up is a one-year intensive training program that provides low-income young adults with a combination of hands-on job training, internships, and support. Each year, State Street hosts a significant number of Year Up interns with the intention of transitioning most of them into full-time entry-level positions. The partnership model enables State Street to influence the content of the training program, while Year Up provides the students with rigorous onsite coaching support on the requirements for entry-level roles. This strategy has proven to maximize the chances that participants will succeed in their jobs. State Street has seen higher retention rates for Year Up students in entry-level finance and IT jobs compared with their overall population in those same roles.

State Street has found that these youth employment efforts also benefit current employees. "It's clear that our employees are highly engaged in mentoring our Year Up interns, whether or not they go on to become full-time employees at State Street," said Senior Vice President Michael Scannell. The Year Up partnership is part of a long-term effort by the company to include low-income youth in its talent strategy. Out of the 1,000 interns the firm brings into its Boston offices each year, 40 percent are from community-based programs.

#### **Gap Inc.'s This Way Ahead**

Started in 2006, This Way Ahead is a program that works with nonprofits to provide career exploration, job readiness training, and competitive internship opportunities for young adults in New York, Boston, Houston, Chicago, and San Francisco. The program focuses on underserved youth ages 16–21. Employees take an active role in training and mentoring interns. This Way Ahead serves approximately 500 young people a year.

After completing the career exploration and job readiness phases of the program, any participant who is 16 or older is invited to interview for a three-month paid internship with participating Gap, Old Navy, or Banana Republic stores.

Approximately 50 percent of the youth who complete the job readiness training are hired. Before they begin their new roles, interns complete a 26-hour training course. Interns work 13 hours per week and along the way they receive monthly coaching sessions from store managers and support from the nonprofit's career coaches. For a full year after the youth complete their internships, they are given follow-up support from their career coaches to help them advance their educational and career goals, and to assist them with any other challenges. To date, 75 percent of This Way Ahead interns have been hired as permanent store associates, and their average tenure is longer than that of their peers.

Gap Inc. also looked at how involvement in This Way Ahead impacts the employees who volunteer by leading workshops, mentoring youth, and providing on-the-job coaching to the interns. "Our teams find tremendous personal and professional value in being involved in This Way Ahead, and we view it as a great development opportunity," said Dan Henkle, senior vice president for Gap Inc. human resources. "Our most recent evaluation showed that 74 percent of employee volunteers improved their leadership skills, and 100 percent said This Way Ahead makes them 'extremely proud to work at Gap Inc.' This is a win-win program for us."

**Some companies are taking steps to move beyond pilot initiatives and systemically incorporate the development of young workers into their overall workforce strategy.**

**CVS Health is developing best practices and spreading them across the company.**

CVS, the country's largest pharmacy services provider, hires an average of 20,000-25,000 young people per year (internships, part-time, and full-time positions) across a wide spectrum of positions (including clerks, pharmacy technicians, and warehouse jobs). The company typically pilots youth employment models, then spreads best practices across business units. For example, store managers can use "tryout dollars" to test a successful youth hiring program. The "tryout dollars" cover added payroll costs for a trial period while local managers determine a candidate's fit.

Workforce development programs also make CVS an attractive employment option. The Pathways to Pharmacy program engages young people from elementary school to college age in exploring careers in pharmacy. In addition, entry-level employees can get guidance on opportunities to advance within the company through numerous career path options. CVS considers employee development a crucial piece of its workforce strategy. "We're somewhat unique," said Casey, the vice president of workforce strategies. "We have a full-time team focused on workforce initiatives across the country, and we've done it for 20 years."

**Starbucks is engaging its supply chain.**

In partnership with LeadersUp, a new workforce intermediary founded with support from Starbucks and some of its largest US suppliers, Starbucks is seeking to engage its supply chain in increasing the hiring of opportunity youth. LeadersUp plays multiple supportive roles: identifying barriers to youth employment across



the supply chain, designing employer-led interventions (training, on-the-job mentoring, and organization redesign to create career pathways for opportunity youth), and measuring the return on investment of youth hiring activities.

LeadersUp is currently conducting a year-long pilot in Columbus, OH, with SK Food Group, a major supplier of Starbucks. It has partnered with a coalition of workforce training organizations to develop a pipeline of employees for positions as food packagers, production clerks, and team leads for a new plant in Columbus that has committed to filling 10–15 percent of the entry-level positions with opportunity youth. LeadersUp is helping the company track outcomes of the pilot initiative. The organization’s goals for the pilot are to “provide real-world lessons and relevant data about how a ready-to-hire business can meaningfully connect with ready-to-work youth to meet their talent needs,” while at the same time addressing the major social challenge of youth unemployment. Between June and December of 2014, SK Food Group hired 76 young people at the Columbus plant, and it has already seen measureable bottom-line improvements. For example, the company has improved its ability to identify talent, decreasing its interview-to-hire ratio from 18:1 to 2:1. These new hires have reached on-the-job proficiency three times as fast as those hired through traditional means. Retention for these young employees has been twice as high as for employees in similar facilities.

Jeffery Wallace, executive director of LeadersUp, credits these successes to the fact that they built the program with employer needs in mind: “All of this success is because the employer has signaled what training is necessary for young people to be successful from the beginning. Repositioning the employer as the end customer of these efforts has really transformed the process, from recruiting to hiring.”

### **The City of Albuquerque is changing its hiring practices to build its talent pipeline.**

Like many companies, Albuquerque screened applications for entry-level jobs using criteria such as a high school degree that did not necessarily match the actual skills required. City leaders partnered with Innovate + Educate, an industry-led nonprofit focused on the employment challenges of typically under-employed populations, to develop a skills-based hiring model for multiple entry-level positions across the municipal government, from sanitation workers to lab technicians. Skills-based hiring classifies jobs according to cognitive skills requirements and administers cognitive skills testing to select applicants. This approach is considered more effective tool for matching young people and available jobs. The tests predict on-the-job performance five times better than educational degree attainment. Since adopting skills-based hiring, Albuquerque has expanded the talent pool from which the city can hire. For instance, while 1 percent of unemployed youth are eligible for jobs that require a college degree, 33 percent are qualified if their aptitude is measured by skills.<sup>8</sup>

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8 Innovate + Educate; <http://www.innovate-educate.org/>.

## Best practices in employer-led youth employment initiatives

In looking at employers that are successfully hiring youth talent, we have identified four practices that appear to be associated with their success:

- 1. Youth employment is considered a CEO/executive-level priority and important to the company's workforce strategy:** Gap Inc. founder Don Fisher instilled the company with his own passion for youth and education, which influences its work today. The board of directors of LeadersUp is a diverse group of C-Suite executives, composed of 11 Starbucks suppliers and Starbucks' chief community officer and president of the Starbucks Foundation. Starbucks CEO Howard Schultz has been a champion of this effort. And State Street's work in this area has been championed by senior leadership as far back as 1979, when then-Chairman of the Board William Edgerly cofounded, in partnership with the City of Boston, the Boston Private Industry Council, which has a keen focus on youth employment. Other efforts to broaden talent pipelines, such as diversity hiring, have similarly found that executive-level sponsorship is critical.
- 2. Youth employment efforts are clearly tied to business needs:** Said Les Biller, former chief operating officer of Wells Fargo, "making the business case is the most important thing" when launching an employment initiative. Indeed, Biller's family foundation is supporting BankWork\$, a program currently underway in two cities and expanding further, that trains participants (including youth) for entry-level financial services jobs, typically as bank tellers. Johnny Montes, senior vice president at Bank of America, has praised BankWork\$ in Los Angeles, which over eight years has placed 500 participants at partnering banks, for "helping us find the skilled people we need for the jobs that we have open."
- 3. Efforts must go beyond the corporate social responsibility function:** State Street Senior Vice President Michael Scannell oversees the company's overall talent acquisition and retention strategies, as well as community investments in workforce readiness. The decision to have these areas reporting to the same senior leader ensures these functions are integrated. At CVS Health, the teams that direct youth employment initiatives are highly integrated within the human resources function.
- 4. The company pursues multiple avenues to embed the new practices:** CVS Health didn't simply announce a new corporate initiative. It used multiple levers to spread its youth employment effort throughout the company: communications, training, and incentives like "tryout dollars," and highlighting the availability of tax credits. CVS has a position devoted to marketing and communications for its workforce initiatives, with internal communications a key element of that position's duties.

## Our current approaches to addressing the needs of employers for work-ready talent and the needs of youth for jobs need to aim for scale, which would be a win for both companies and young people

More than half those responding to our employer survey reported difficulty in finding the right matches for their entry-level positions. And a 2012 ManpowerGroup survey<sup>9</sup> similarly found that 45–50 percent of large US employers reported that they could not fill entry-level positions. Our research showed that employer practices can get in the way.

Nonprofits and government have long sought to help young people overcome employment challenges and help business find the young workers they need. But these efforts have often been at too small a scale to address employers need for entry-level staff or to make a dent in youth unemployment. As State Street’s Scannell put it, “The question is, ‘are there organizations at scale to provide the supply to meet our level of demand?’” A firm seeking to hire hundreds or thousands of youth may not get much value from working with programs that can only help it find a handful of the qualified young workers it’s looking for.

For example, the highly acclaimed Year Up, which works with low-income young adults in 11 states and Washington, DC, and has grown 20 percent annually since its inception, serves 2,000 young people nationwide a year. YouthBuild, which provides education and training opportunities in 46 states, reaches 10,000 young people a year. And the federal Job Corps program—providing free technical education and training to low-income young people—reaches 45,000 young adults. Most other local and regional efforts are much smaller. While they may do meaningful work with their beneficiaries, they don’t always prepare them for success in the workforce.

Federal funding has focused primarily on building youth skills or on creating jobs for youth—often temporary summer jobs. These include out-of-school interventions like Job Corps and in-school interventions that support career and technical education. These interventions are sometimes disconnected from the needs of employers. And though some programs track youth success beyond training and job placement, few explicitly support career advancement and retention.

Philanthropy also needs to play a larger role in addressing the youth employment challenge. While philanthropy contributes over \$2 billion per year towards education and youth development, annual grant making for youth employment is still a fraction of this amount.<sup>10</sup> While funding specifically for opportunity youth

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9 “The Talent Shortage Survey: Research Results,” ManpowerGroup, 2012.

10 Based on analysis of Foundation Center data: Philanthropic grants totaled \$593 million for youth initiatives with some connection to employment between 2008 and 2011, or an average of about \$150 million annually.

has increased significantly in the last few years, many efforts are not focused on what it will take to actually address youth employment concerns at scale.

## Boosting youth employment will require systemic efforts that are oriented towards meeting business needs

Companies acting on their own *can* make a difference when it comes to filling existing and new jobs with youth—especially if they seek to improve practices across whole divisions or the entire company. However, the scale of the problem suggests that more is needed. Partnerships that bring together businesses, philanthropy, nonprofits, and government may go even further than individual action in addressing the systemic gaps that can make it hard for employers to hire and retain youth in jobs.

Employers with a stake in finding the young workers—and in strengthening their communities—should consider at least three kinds of activities.

### Adding employer voices to the conversation on youth employment

There are ample opportunities for corporate leaders to engage with peers and those from other sectors in pursuit of solutions—whether at business-sponsored efforts like those of the US Chamber of Commerce, or national convenings by nonprofits or government, or local or regional initiatives. Employers ready to commit to changing their youth hiring practices can engage with foundations focused on youth employment, such as [The Rockefeller Foundation's](#) efforts to explore opportunities and scalable solutions to hiring disadvantaged youth. The [Clinton Foundation's Job One initiative](#) is encouraging corporate efforts to expand training, mentoring, and hiring opportunities for youth and to build an evidence-based business case for youth employment. There are other opportunities for partnership as well: the [Grads of Life campaign](#) offers employers tools and opportunities to partner with youth-serving nonprofits to strengthen their youth employment efforts, and [Small Business Majority](#) is engaging business owners and policy makers in support of solutions that promote small-business growth and opportunities for youth.

### Examining and improving corporate practices around youth hiring

For many young people, navigating employers' hiring processes can be daunting. Some companies, when they have examined their own youth employment practices, have found that their policies inadvertently make it harder for them to employ young people. Youth may be screened out because of formal requirements that don't always reflect the skills needed on the job, or because of past life experiences, such as drug use or brushes with the law. They may also be screened out because the interview processes and questions might disadvantage youth, and company culture may make it hard for young people to fit into the workforce. Assessing practices and making some adjustments can help companies better realize the value young employees bring to the table, as illustrated by both the CVS and the City of Albuquerque.

### Taking part in cross-sector collaborations

Employers are increasingly partnering with K-12 and post-secondary institutions to help increase the number of youth who are prepared for work and careers. For example, Brooklyn’s Pathways in Technology Early College High School has brought together the New York City Department of Education, The City University of New York, New York City College of Technology, and the IBM Corporation to create a single campus where students earn both a high school diploma and an associate’s degree in applied sciences that have direct connections to entry-level jobs with a career ladder. Corporate partners who helped shape the curriculum and interacted with these students for years will be comfortable putting them “at the head of the line” when they apply for entry-level jobs after graduation. IBM guarantees job interviews for qualified graduates of the school.<sup>11</sup>

Another example of cross-sector collaboration is the Automotive Manufacturing Technical Education Collaborative (AMTEC), which seeks to develop a standardized curriculum and flexible career pathways based on industry skills and competencies. AMTEC is led by the Kentucky Community & Technical College System and supported by the National Science Foundation. Today, 35 community colleges and 21 industry partners in 12 states—including Ford, Nissan, Toyota, and UAW-General Motors— participate in the initiative. Key elements include innovative programming that provides wraparound supports to community college students as they learn applicable skills that position them to address employer hiring needs.

### Conclusion

Young people, including opportunity youth, are valuable sources of talent as employers look to fill millions of jobs today and in years to come. Yet our research shows that employer practices often make the task of hiring young people more difficult. Those practices, however, can be changed, as a number of major employers have demonstrated. These companies’ innovative approaches to hiring and training young people have boosted their financial performance, increased their workforce diversity, and advanced their ability to keep pace with changing technology. What’s needed now is for others—employers, nonprofits, and governments—to build on those successful models to significantly reduce youth unemployment while meeting the workforce needs of employers today and in years to come.

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11 IBM press release, “The IBM P-TECH Model: Meeting the Nation’s Need for Technology Skills,” October 2013, <https://www-03.ibm.com/press/us/en/pressrelease/42312.wss>.

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